

Strategic Objective Grant Agreement (SOAG)

SOAG Principal Text

USAID Grant Agreement No. SOAG-306-07-00 for
USAID Strategic Objective No. 306.007

STRATEGIC OBJECTIVE GRANT AGREEMENT
BETWEEN THE
UNITED STATES OF AMERICA
AND
THE ISLAMIC REPUBLIC OF AFGHANISTAN
FOR
THE STRATEGIC OBJECTIVE OF A BETTER EDUCATED AND HEALTHIER
POPULATION

Dated: September 19, 2005

APPN:
BPC:
RCN:

Strategic Objective Grant Agreement

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STRATEGIC OBJECTIVE GRANT AGREEMENT

Dated: September 19, 2005

Between

The United States of America, acting through the United States Agency for International Development ("USAID")

and

The Islamic Republic of Afghanistan, acting through the Ministry of Finance (hereinafter referred to as the "Grantee")

Article 1: Purpose.

The purpose of this Strategic Objective Grant Agreement ("Agreement") is to set out the understanding of the parties named above (the "Parties") regarding their mutual objective to have a better educated and healthier population in Afghanistan as further described below.

Article 2: Strategic Objective and Results.

Section 2.1. Strategic Objective. The strategic objective (the "Objective") of the development program described in this Agreement is to have a better educated, healthier population in Afghanistan.

Section 2.2. Results. In order to achieve that Objective, the Parties agree to work together to achieve the following results (each a "Result"):

2.2.1. Increase access of women and children under the age of five to quality basic health services, especially in the rural and underserved areas. Four sub-Results or Intermediate Results will lead to achievement of this Result: (a) Expanded access to a quality basic package of health services (BPHS); (b) Improved capacity of individuals, families and communities to protect their health; (c) Strengthened Grantee health systems; and (d) Improved capacity of the private sector to provide health products and services.

2.2.2. Increase access of children, youth and adults to quality teaching and suitable learning environments. Three Intermediate Results will lead to the achievement of this Result: (a) Students with knowledge and skills to better prepare them for productive lives; (b) Higher education level students with knowledge and skills that prepare them for productive lives; and (c) Literacy and occupational skills training which contains two parts (i) Out-of-school adults and youth with literacy and occupational skills and (ii) A private-sector market for vocational training.

Within the limits of the definition of the Objective in Section 2.1, this Section 2.2 may be changed by written agreement of the authorized representatives of the Parties without formal amendment to the Agreement.

Section 2.3. Annex 1, Amplified Description. Annex 1, attached, further describes the above Objective and Results. Within the limits of the above definition of the Objective in Section 2.1, Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

Article 3: Contributions of the Parties.

Section 3.1. USAID Contribution.

(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement not to exceed THREE MILLION SEVEN HUNDRED THIRTEEN THOUSAND NINE HUNDRED FORTY-FOUR United States ("U.S.") Dollars (\$3,713,944) (the "Grant").

(b) Total Estimated USAID Contribution. USAID's total estimated contribution to achievement of the Objective will be U.S. \$939,200,803, which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(c) Unilateral Deobligation. If at any time USAID determines that its contribution under Section 3.1(a) exceeds the amount which reasonably can be committed for achieving the Objective or Results or activities during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1(a), or amend Annex 1 to shift USAID funding among Results or activities. Actions taken pursuant to this subsection will not revise USAID's total estimated contribution set forth in Section 3.1(b).

Section 3.2. Grantee Contribution.

(a) The Grantee agrees to provide or cause to be provided all funds, in addition to those provided by USAID and any other donor identified in Annex 1, and all other resources required to complete, on or before the Completion Date, all activities necessary to achieve the Results.

(b) The Grantee's contribution, based on USAID's contribution in section 3.1(a), will not be less than the equivalent of U.S. \$79,100,000, including in-kind contributions. The Grantee's Total Estimated Planned Contribution to the Objective will not be less than the equivalent of U.S. \$870,100,000, including in-kind contributions, subject to availability of funds to the Grantee for this purpose, the mutual agreement of the Parties, at the time of each subsequent increment, to proceed, and USAID providing the total estimated amount in Section 3.1(b).

The Grantee will report at least annually in a format to be agreed upon with USAID on its cash and "in-kind" contributions.

Article 4: Completion Date.

(a) The Completion Date, which is December 31, 2010, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

Article 5: Conditions Precedent to Disbursement.

Section 5.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) An opinion of counsel acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

Section 5.2. Notification. USAID will promptly notify the Grantee when USAID has determined that the conditions precedent have been met.

Section 5.3. Terminal Dates for Conditions Precedent. The terminal date for meeting the conditions specified in Section 5.1 is ninety (90) days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent in Section 5.1 have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the Grantee.

Article 6: Special Covenants.

Section 6.1. The Grantee affirms that the Objective and Results agreed to in this Agreement and amplified in Annex 1 reflect the national priorities of the Grantee.

Section 6.2. The Parties affirm that eight core values shall govern the objectives, strategies, approaches, results and activities described in this Agreement: sustainability, responsiveness, conflict mitigation, gender equity, local context, results orientation, collaboration, and transparency and accountability.

(a) Sustainability. All activities under this Agreement will be designed so that Afghan institutions, communities and individuals "own" the principles, processes and benefits introduced. Projects that will entail construction of infrastructure, reform of processes and procedures, and provision of services will have components that help ensure that Afghans have the capacity needed to carry them on, once USAID assistance is complete.

(b) Responsiveness. USAID is actively engaged in the Grantee's process of policy formation and planning for the sectors covered by this Agreement. USAID uses systematic means to listen to the Grantee and beneficiary communities in designing and implementing strategies such as those under this Agreement. USAID will seek to send clear messages to beneficiaries about why it is doing the various activities under this Agreement.

(c) Conflict Mitigation. This Agreement recognizes the overriding importance of transforming Afghanistan's leadership culture into one of conflict prevention, mitigation, and resolution. Conflict mitigation is a cross-cutting objective, built into all activities and results under this Agreement.

(d) Gender Equity. Gender-equity elements are to be built into every aspect of the activities under this Agreement. Strategies and activities will take into account an analysis of how they affect both men and women, girls and boys, and it make extra efforts to improve the status of women in many communities and institutions.

(e) Local Context. Special effort will be made by the Parties to ensure programming under this Agreement that integrates the delivery of services at the provincial level. The Parties will use all means available including the involvement of sector specialists, USAID Field Program Staff (in Provincial Reconstruction Teams) and other implementation partners working at the local level to ensure that activities reach beneficiaries at the local, provincial level.

(f) Results Orientation. The Parties agree to work together to use systems and structures that help staff and partners manage programs effectively and efficiently. An ability to adjust systems and structures when appropriate will enable the Parties to achieve results within agreed-upon schedules.

(g) Collaboration. Close collaboration with development partners will enable the Parties to reach their mutual goals and objectives under this Agreement. This includes working with donor and lender agencies and NGOs in Afghanistan.

(h) Transparency and Accountability. The Parties agree to follow standards and regulations that ensure transparency and accountability. The Parties will endeavor to work in an honest, open, and direct manner with all partners.

Section 6.3. Subcommitting, Subobligating and Disbursing Grant Funds. With respect to disbursements made under this Agreement, after satisfaction by the Grantee of the Conditions Precedent set forth in Section 5.1, the Grantee hereby agrees that USAID may subcommit, subobligate and disburse Grant funds available under Section 3.1(a), whether such use covers Foreign Exchange or Local Currency Costs described in Annex 2 ("Standard Provisions") hereof or otherwise, so long as such actions and disbursements are consistent with the terms and conditions of Annex 1 ("Amplified Description") hereof without any further approval or concurrence. USAID shall periodically inform the Grantee of all disbursements directly made by USAID under this Agreement, providing the Grantee with the amount(s) and purpose(s) of such disbursement(s). Prior approval of the Grantee, however, shall be required, for all disbursements of Grant funds made directly to the Grantee for, by way of example and not limitation, financing host country contracts let by the Grantee to achieve the Objective and Results.

Article 7: Miscellaneous.

Section 7.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Mail Address:

Office of the Director
United States Agency for International Development
Compound Across from the U.S. Embassy
Great Masood Road
Kabul, Afghanistan

To the Grantee:

Mail Address:

Chief of Staff Office
Ministry of Finance
Pashtunistan Maidan
Kabul,
Islamic Republic of Afghanistan

Fax: 0093-20-2103258

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 7.2. Representatives. (a) For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Minister of Finance. The authority of the Minister of Finance shall not be delegated outside of the Ministry of Finance with respect to amendments to the SOAG as well as other responsibilities set forth for the Ministry of Finance in Annex 1. The Ministry of Finance hereby delegates authority to represent the Grantee to the (1) Office of the Minister of Education, with respect to coordination and program implementation of those activities identified in Annex 1 as pertaining to education (other than higher education); (2) Office of the Minister of Higher Education, with respect to coordination and program implementation of those activities identified in Annex 1 as pertaining to higher education; and (3) the Office of the Minister of Public Health with respect to coordination and program implementation of those activities identified in Annex 1 as pertaining to health matters. USAID will be represented by the individual holding or acting in the Office of Director, USAID/Afghanistan. Each representative, by written notice, may designate additional representatives for all purposes for which such representative is responsible.

(b) The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

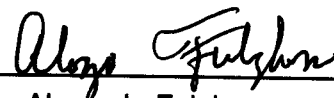
Section 7.3. Standard Provisions Annex. A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

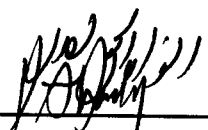
Section 7.4. Language of Agreement. This Agreement is prepared in both English and Dari. In the event of ambiguity or conflict between the two versions, the English language version will control.

IN WITNESS WHEREOF, the United States of America and the Grantee, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

ISLAMIC REPUBLIC OF AFGHANISTAN

By: 
Name: Alonzo L. Fulgham
Title: Director, USAID Mission to Afghanistan

By: 
Name: Anwar al-Haq Ahady
Title: Minister of Finance

SOAG Annex 1

Amplified Description

I. Introduction.

This annex describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

II. Background.

A. Health Sector - Current Situation

Health conditions in Afghanistan are among the worst in the world. The highest rates of death and disability are among infants, children and mothers during childbirth. There has been little change in the high maternal mortality rates (1,600 per 100,000 births), infant mortality rates (115 per 1,000 births) and child mortality rates (172 per 1,000 live births). High levels of chronic and seasonal malnutrition and infectious diseases contribute significantly to these levels of morbidity and mortality.

While there has been some progress in certain areas, maternal health remains among the highest risk areas, as a result of cultural practices and lack of health systems capacity. Overall, the number of women who receive antenatal care and gave birth in a well-equipped facility in the presence of a trained attendant is still low. In 2003, 16% of pregnant women received at least one antenatal care visit from a doctor, nurse or midwife. Similarly, 88% of the births in Afghanistan were at home, with 85% attended by an unskilled birth attendant. The lack of trained female health workers has been cited as the major barrier to reducing the maternal mortality rate, as well as other reproductive health issues. At 6.8 children, the total fertility rate in Afghanistan is one of the highest in the world. Knowledge and utilization of modern methods of contraception remains low. According to the Multiple Indicator Cluster Survey conducted by UNICEF in 2003, only 29% of ever-married women under the age of 50 are aware of a method to delay pregnancy, and only 10% of this group is currently using a method of contraception.

The incidence of infectious diseases continues to be a major problem in Afghanistan. Diarrheal diseases, immunizable diseases, malaria and leishmaniasis affect millions, and tuberculosis continues to be a serious threat in Afghanistan as evidenced by an estimated annual incidence of 71 thousand active cases, of which approximately 68% are in people age 15 to 44. Of great concern is that 75% of the positive sputum smear cases of tuberculosis in Afghanistan are in women. The annual death toll related to TB is estimated to be 20 thousand. Crowded and confined living conditions and lack of access to health facilities, especially for women, for consistent drug therapy are critical barriers to controlling tuberculosis in Afghanistan.

Like most post-conflict countries, there is a high incidence of vaccine-preventable diseases. Notwithstanding the tremendous strides made by the Ministry of Public Health since the fall of the Taliban to make immunization services available to high risk

populations, Afghanistan is one of five countries in the world that has not eradicated the wild polio virus; seven polio cases were reported in calendar year 2003 and so far three cases in 2004. Diphtheria, pertussis and tetanus (DPT3) coverage is 54%. Measles accounts for about 35 thousand deaths of children under the age of five per year. Twenty-six percent (26%) of the neonatal deaths are due to tetanus; about 10 thousand cases are reported annually.

Health systems, particularly the physical infrastructure, institutional capacity and human resources, have been crippled by the years of destructive warfare. One significant consequence of 23 years of conflict and civil strife that has affected all sectors of society including health, is the drain, or out migration, of trained and qualified medical personnel. Many qualified staff either left the country or were they themselves victims of war. In addition to the loss of competent medical staff, the disruption and low quality of medical, nursing and midwifery education programs further exacerbated the human capacity crisis in the health sector, which has limited access to effective health services. According to the Afghanistan National Health Resources Assessment (December 2002), the number of physicians per 1,000 people is 0.1 as compared to 1.0 for all developing countries. Counting all categories of skilled health workers per, Afghanistan has 0.3 health workers per 1,000 people, with a range of health worker to population in the rural areas from 0.8 in Balkh to 0.1 in Uruzgan.

Of particular concern in Afghanistan, which has a cultural prohibition of women receiving health care from male service providers, is the lack of female health workers. Again according to the Afghanistan National Health Resources Assessment there were 605 female physicians, 90 female specialist physicians, 467 midwives and 566 female nurses in Afghanistan. The overall male/female ratio among health providers is 3 to 1. However, further provincial analysis indicates a more extreme imbalance. Nuristan Province, at the time this assessment was conducted, had one female worker for population of 110,700; making the ratio 43 to 1. Herat Province has a more favorable male/female ratio of 2 to 1.

1. Government Efforts

Despite some daunting challenges, the Ministry of Public Health (MOPH) has made significant improvements in the health sector since 2001. Admittedly some of these advancements have not at this time led directly to a reduction of the three major health indicators, maternal, infant and under five mortality. Nevertheless, evidence suggests that if the MOPH continues to build internal management systems, improve the quality and access to basic services and preventive health practices to those who need them most, these indicators will improve. For example, in 2002, 11 million children between the age six months and twelve years were immunized against measles; and 5 million between the ages nine and 59 months in 2003. Thus far, polio eradication campaigns have reached more than 6 million children under the age of five, as a result, the number of wild polio virus cases has decreased from 27 in 2000 to seven in 2003. There have been three reported cases of polio since the end of 2003. This epidemiological trend may indicate that Afghanistan is in the final and most critical stage of stopping the wild polio virus, which is a major step towards making Afghanistan polio-free. National Tetanus Toxoid immunization efforts have reached approximately 3,200,000 women of child-bearing age, with approximately 64% of the target population vaccinated with two doses.

The goal of the National Health and Public Investment Programme submitted to the Ministry of Finance by the Ministry of Public Health in January 2004 is to reduce the high level of mortality and morbidity, especially among women and children, through the development of equitable, effective and efficient health services that address priority health and nutrition problems through developing the human capacity to deliver the necessary services.

The mission of the Ministry of Public Health is to lay the foundations for equitable health care for the people of Afghanistan, especially women and children, through building the capacity to define the context, direction and scope of work for all stakeholders; to develop and implement strategic plans and coordinate health sector actions which act in ways that make the best use of limited resources, exerting influence through stewardship, regulation and advocacy; and, to collect and use information for evidenced-based decision making.

The Minister of Public Health has two deputy ministers, one covering technical areas and one for administration. There are four director generals: Policy and Planning, Health Care and Promotion, Provincial Liaison, and Management and Administration. All but the Director General for Management and Administration reports directly to the Technical Deputy Minister. Major decisions are deliberated through the Ministry of Health Executive Board.

The main functions of the Ministry of Public Health are to set over-arching health policies and to coordinate sector-wide health activities in Afghanistan at all levels of the health system. The MOPH has established the Consultative Group for Health and Nutrition (CGHN) to coordinate activities of implementers, donors and policy makers. Issues decided at the CGHN are forwarded to the MOPH Executive Board for final approval. The MOPH Executive Board is chaired by the Minister of Public Health and is comprised of the two deputy ministers and four director generals. Executive Board decisions are communicated to stakeholders and partners through the National Technical Coordination Committee (NTCC).

To ensure effective coordination between the national and sub-national levels, the MOPH created the Grants and Contracts Management Unit (GCMU), which is supervised by the Director General for Policy and Planning. The GCMU has four functions:

- Assist in the expansion of the delivery of the Basic Package of Health Services (BPHS);
- Strengthen the MOPH's stewardship role in the health sector so it can ensure that MOPH priorities and policies are implemented;
- Integrate donor, multilateral and NGO efforts into the health system, and
- Develop the capacity of the MOPH to work effectively with stakeholders in establishing an effective and efficient public private mix.

To further coordinate with provincial units, the Provincial Health Liaison Offices (PHLO) work with the Provincial Health Coordination Committees (PHCC) in the 32 provinces. The Provincial Health Director chairs the PHCC meeting, and it is attended by NGOs and other line ministries.

The Ministry of Public Health in the Health and Nutrition Public Investment Program (SY 1383-1385¹) has identified six priorities that need to be addressed to improve the overall health of the Afghan population. They are:

- To reduce the high levels of infant and child mortality rates by decreasing the incidence of vaccine preventable diseases, diarrhea and acute respiratory infection (ARI);
- To decrease the maternal mortality rate (1600/100,000 live births);
- To address the high levels of malnutrition and micronutrient deficiency disorders;
- To combat the high incidence of communicable diseases, especially tuberculosis, malaria, leishmaniasis and STDs, and to maintain the very low incidence of HIV/AIDS;
- To improve the inequitable distribution of quality health services; and
- To develop human capital to implement effective and efficient health services at all levels of the health system.

From the Ministry of Public Health's perspective, as well as that of donors and stakeholders working in the health field, the predominate constraint to addressing these issues is a critical lack of access to basic health services throughout much of the country; especially in the rural areas. The government has committed itself to improving the number and quality of health facilities and to ensuring that the Basic Package of Health Services (BPHS)² is delivered to all Afghans regardless of where they live, their gender or ethnicity in the next three to seven years.

The government and its international partners recognize that in order to achieve its objectives, a series of policies and systemic improvements need to occur within the Ministry of Public Health that support a stronger human resource and health care financing system, including the costing of the Basic Package of Health Services. In the midst of a decentralizing health system, the MOPH will define the roles and responsibilities of the central and provincial health authorities.

The MOPH has played a critical role in coordinating activities among the UN agencies, NGOs and other donors working in health. This includes but is not exclusive to directing the construction of new health facilities, primarily in rural areas, although an increased focus on urban center is predicted once rural populations are positioned for significant improvements in access and quality services. Similarly, while the BPHS focus remains at the forefront, the MOPH is coordinating policies and activities that will define and enhance the role of tertiary hospitals in Afghanistan.

¹ Afghan year 1383 goes from 20 March 2003 to 21 March 2004

² The Basic Package of Health Services (BPHS) is a service delivery framework that includes Maternal and Newborn Health, Child Health & Immunizations, Public Nutrition, Communicable Diseases, Mental Health and Disability. At this time, Mental Health and Disability have yet to be integrated into services.

2. External Support

In addition to USAID, there major international donors supporting the Ministry of Public Health in Afghanistan are the European Commission, the World Bank and the Japanese International Cooperation Agency (JICA). Both the European Commission (EC) and the World Bank support the delivery of the BPHS. The European Commission currently provides 36.5 million euros through grants to NGOs for BPHS services to 4.6 million people in nine provinces. World Bank NGO grantees provide these services in eight provinces; they also provide support to the MOPH to implement the BPHS in three provinces. Both donors also provide management technical assistance to both the central and provincial levels of the MOPH. JICA provides support to Kabul University Medical School, as well as the National Tuberculosis Institute. The World Bank's investment in health in Afghanistan from September 2003 to September 2006 is estimated to be \$59.6 million. Key areas for the World Bank are providing the BPHS, as well as providing furniture for newly constructed clinics and technical assistance to the central MOPH.

3. Summary of binding constraints in the Health Sector

The principal constraint in the health sector can be generally categorized as a lack of human and institutional capacity, whether it is the quantity, skill level or type of worker, or where they are placed. Simply put, there is not an ample pool of health workers, especially but not limited to those who provide direct client care. Generally speaking, only about 50% of the people have access to a place where they can get quality BPHS services. The main barrier to achieve more expansive coverage is the lack of appropriately qualified and supervised health care providers.

There are several sub-issues within the broader human capacity crisis, apart from not having enough trained health workers to meet the needs of the population, especially female workers in the rural areas. The institutions that train health workers, and the systems that support their work after they graduate have deteriorated over the past 23 years. Also of priority importance are community participation, the quality of service facilities, institutional support services (particularly communications, IT and logistics) and supervision to achieve quality assurance and timely monitoring and evaluation of individual and system performance.

Afghanistan has difficulty recruiting, training and deploying a sufficient number of health workers to areas where the need is greatest—the rural areas. Most doctors, especially females, remain in the urban centers, while the need is greatest in rural areas, leaving many rural communities underserved. Evidence abounds that this unbalanced sex distribution of health care personnel affects access to services for women, who are in greatest need of basic services.

The shortage of trained personnel is a “supply” issue. Pre-service education institutions—nursing and midwifery schools in particular—are having difficulty attracting a sufficient pool of qualified candidates. Many applicants who present for admission to midwifery and nursing schools do not possess the requisite academic credentials or levels of literacy to gain admission and complete the course of study. The lack of qualified candidates is directly related to long periods of interruption of the primary and secondary education systems the low female literacy rates and the current poor access to basic education for women.

Afghanistan also lacks a strong pre-service education system. The Institute of Health Sciences (IHS) is responsible for training all health workers in Afghanistan with the exception of Community Health Workers (CHWs) and physicians. The lack of physical infrastructure at the IHS, such as female dormitories and well-equipped laboratories and classrooms, have negated the ability of the IHS to produce the quality and the quantity of midwives, nurses, and laboratory technicians needed to meet the needs of the health system. In addition to these infrastructural issues, the teachers and instructors at the IHS have suffered from an inability to keep their knowledge and skills current.

Added to issues confronting the IHS in the pre-service education arena, Afghanistan has no capacity to conduct in-service training for those workers who are currently in the system. At this time, the in-service training is by NGOs who are contacted on behalf of the MOPH for a defined length of time to train a specified number and cadre of workers. While these efforts have served a short-term need, this model is not developing a training competency within the MOPH or another Grantee institution.

There has been considerable work done on human resource systems in Afghanistan, but the systems, especially at the provincial level, are still evolving. Few health workers have job descriptions or criteria for performance that reflect their current work responsibilities. Tied to the lack of job descriptions is the absence of systems that support an objective performance appraisal process focused on improving personnel performance. The absence of written job responsibilities and clear policies for performance appraisal are likely to adversely affect female workers in particular, who may already be disadvantaged by culturally defined power dynamics with male supervisors.

Currently, performance appraisals are either non-existent, used as a “rubber stamp,” or are used punitively and not always tied to work performance. This leads to supervision approaches and systems which do not support or contribute to improved performance. Resource shortages often prevent supervision from taking place on a regular and periodic basis. The limited technical knowledge and skills of supervisors often limit their capacity to move beyond punitive approach to work with staff to define “lessons learned” best practices and evidenced-based adjustments to work plans to achieve improved performance.

Afghanistan is in the process of decentralizing its health system, giving more power and authority to provincial health units. While the provincial authorities have more responsibilities for coordinating the implementation activities in their provinces, the central MOPH maintains a policy-making and coordinating role. Both levels of the MOPH are acting in a new capacity, and these new roles will require some technical support to function effectively over time.

The MOPH cannot make evidenced-based decisions because there is a scarcity of reliable data: epidemiological, operations research and policy for the entire country. The Multiple Indicator Cluster Survey (MICS) provides national information on the incidence and prevalence of diarrhea, infectious disease, acute respiratory infection, pregnancy and reproductive health statistics. However, MICS does not provide information on health seeking behavior, provider and community attitudes. Not only do

these data not exist, there is no capacity in the Afghanistan to carry out this type of research.

Despite an intense effort to revive the health infrastructure in Afghanistan, a significant proportion of the population still does not have immediate access to a health facility. Right now, approximately 50% of the population is more than a four-hour walk from a basic or comprehensive health facility, district hospital or a provincial hospital.

As Afghanistan rebuilds, the Ministry of Public Health is introducing the BPHS, which has more of a preventive orientation than currently existed in the past. The transition from curative to preventive has not taken place in the health system, or with the clients. There is little or no health or client education, what is done is done in groups and is fairly doctrinaire based on the approach that the provider or health worker knows best. There is a lack of Information, Education and Communication and Behavior Change Communication (IEC/BCC) materials, or the capacity to develop them in a timely manner.

As the BPHS package is currently reaching about 50% of the country, systems that monitor the quality of the services need to be established. In addition, systems need to be in place to track the performance of the health system.

B. Education Sector - Current Situation

In 2002, at the invitation of UNESCO, a high level Committee, comprising prominent Afghan experts, convened to draft the educational policies and proposals for the new Constitution. The recommendations of the Commission included the right to free education for all citizens regardless of gender, ethnicity, religion and language, the need for geographically-balanced development of education, policy on educational governance, teacher training, national infrastructure for educational planning, non-formal education and distance learning. Subsequently, the transitional government's National Development Framework of April 2002 highlighted provision of education, with special emphasis on quality education, teacher training, and vocational education, as one of its priority programs.

To achieve this vision, the Afghan government has identified three strategic areas for intervention: (a) Expand access and raise the quality of primary and secondary education country-wide; (b) Build a higher education system that responds to Afghanistan's reconstruction needs, creates new professional and income opportunities for Afghans, and meets international standards; (c) Expand citizens access to vocational and informal education, which is closely connected to the demands for skills in the economy, with special focus on improving livelihood opportunities for vulnerable populations like widows and the disabled, returning refugees and internally displaced persons, demobilized soldiers and unemployed youth.

1. Basic (primary and secondary) education

Since the fall of the Taliban large numbers of students, many returning from outside Afghanistan, have enrolled in school. The rate of enrollment in primary education has doubled, with an estimated 4.8 million children in primary and secondary, more than at any time in Afghanistan's history. Gender disparities have been halved. According to a

UNICEF, the number of teachers in 2002 was 70,000 and today, according to the MOE, it has grown 50% to 105,000.

However, despite this progress, there are enormous challenges in the face of 25 years of war and upheaval:

- Only half of all children age seven through thirteen are currently enrolled in school, with girls representing only 34% of enrollments.
- Less than half of first grade enrolled children complete fifth grade, for girls, only one in four starting first completes fifth grade. Children do not enroll or stay in school for many reasons – economic constraints, family obligations, cultural practices, poor quality teaching, but the single most important factor in why children do not enroll, especially girls, is the school is too distant, or not available at all.
- Eighty percent of school facilities have been damaged or destroyed and the MOE projects the need for an additional 3,413 schools to be constructed or rehabilitated over the next several years.
- The MOE estimates a shortage of 40,000 teachers.
- An estimated 1.7 million over aged young people, many out of school, need to be reached with non-formal accelerated learning programs.
- All indicators of teaching quality are low: less than half of teachers are high school graduates; teachers use rote learning methods and lack knowledge of the subject they are teaching.

a. Government efforts

The government of Afghanistan is a signatory to the 1948 Declaration of Human Rights and its Covenants and other conventions of the United Nations and is committed to the goals of Education for All (EFA). In line with the EFA principles articulated at the Jomtien Conference in 1990 followed by the Dakar Framework of Action, the government's vision is to ensure that all children complete compulsory education (grades 1-9).

There are two Ministries responsible for the education sector: Ministry of Education (MOE) and the Ministry of Higher Education (MOHE). The MOE is responsible for primary, secondary, vocational and technical education and literacy while the MOHE covers higher education.

The central MOE is organized into 22 departments and these are grouped into five categories: (i) Coordination and control; (ii) Planning, International Relations and Construction (iii) Management structures: Personnel and Administration (iv) Subsectoral structures comprising several specialized directorates such as that of primary education, secondary education, professional and vocational education, literacy, health, Islamic education, and sciences education (v) Pedagogic Structures: teacher training, translation and compilation (curriculum and textbooks), printing and publication, and distance education.

Each of the 32 provinces has an education office that is responsible for implementing the national policies and administering finances allocated by the central government. The provincial education departments (PED) are

accountable to the Provincial Governor and the Ministry of Education at the center. In addition to the PEDs, there are 535 District Education Departments (DED).

The overall organizational model of the MOE is a centralized one, with most decision-making authority resting at the center. In order to encourage innovation and sustainability, there is a need to delegate decision-making and spending power at the provincial, district and local government level. There is also a need for rationalization of the role of the Ministry from that of a service provider to that of policy-maker, regulating and monitoring service delivery.

There are no accurate records available of the actual number of staff working in the provincial offices, districts, and schools. Estimates vary from source to source, making the process of planning human and financial resources difficult. Lack of reliable data, capacity constraints, lack of clear cut roles and responsibilities of the different departments, inadequate coordination among them, compound the problems. The absorptive capacity of the Ministry is limited. Per a UNICEF report, in 2003, out of the \$250 million education budget the MOE formulated, donors committed only \$66.1 million and MOE was able to disburse only \$19.2 million.

Despite the above challenges, the MOE has achieved considerable success in restarting the education system and increasing enrollments. This is owing to the high level of motivation and commitment of the MOE, the exceptional leadership in some key departments of the Ministry, and the openness/receptivity to working with international consultants in order to build capacity. Also, the Ministry has undertaken some encouraging steps such as initiating a revision of its staffing structure and introducing personnel and administrative reforms, and establishing a donor coordination mechanism to coordinate the Teacher Education Program (TEP).

b. External support

The government has almost no budget of its own to carry out its educational activities and is almost entirely dependent on donors who contribute substantially to the education sector. Among the principal bilateral donors and international organizations providing significant support for education are the World Bank, USAID, UNICEF, DANIDA, JICA, GTZ and the Asian Development Bank.

International NGOs such as Save the Children, CARE, Catholic Relief Services, International Rescue Committee, and Aga Khan Development Network, complement the efforts of donors by providing educational opportunities for hard-to-reach children and non-literate adults through community schools, residential schooling for orphans, and skills training.

However, despite significant donor funding in most priority areas such as construction and rehabilitation of school buildings, textbook printing and distribution, curriculum development, institutional capacity building, there is a funding gap between the national budget and available funding.

The World Bank works directly with the government of Afghanistan. All their education funding to the government is currently in the form of grants and has three broad components: (i) school grants for quality enhancement and infrastructure development. This component is concentrated in five provinces: Bamiyan, Logar, Parwan, Kapisa, and Badakshan (ii) capacity building/human resources development – this includes teacher training, training of school principals and capacity building of DEDs and PEDs; and (iii) policy development and monitoring and evaluation. The Bank will be assisting the Ministry with school mapping and planning for the Education Management Information System (EMIS). The Bank also supported preparation of *Securing Afghanistan's Future*, which provides a detailed analysis of education sector needs and priorities. The World Bank representative is a founding member of the Teacher Education Program (TEP), a group of donors working with the MOE Teacher Training Department to develop policies, a strategic plan and a framework for coordinating teacher training programs in Afghanistan.

While UNICEF's efforts have largely focused on teacher training, they have also assisted the MOE in the distribution of school supplies and textbooks to all schools throughout the country; distribution of 1000 tents to accommodate the influx of girls in schools; and identifying schools in need of repair, locating sites for new schools; producing standardized specifications for construction of schools. Another of UNICEF's important contributions has been in formulating a framework for the development of a modern curriculum. Textbooks for some of the primary grades are being developed with technical assistance from the Teachers College Columbia University. UNICEF has conducted short-term refresher training for an estimated 50,000 teachers in language arts, pedagogy, and land mine awareness. They have also developed training manuals for future training programs for teachers. UNICEF is an active member of the Teacher Education Program (TEP).

The United Nations High Commission on Refugees (UNHCR) undertook a survey of the physical infrastructure of schools. This report was used as a basis for the construction and rehabilitation of schools in the country, to which USAID has made a major contribution.

DANIDA has identified five priority areas for support to primary education in Afghanistan. These are: curriculum development; teacher training and development; educational materials development (including textbook development and printing); physical infrastructure; and aid management and planning and management capacity development. Danish funding will include technical assistance, as needed in areas such as syllabus development, teacher education and development and management. DANIDA is also active with TEP.

JICA has supported the reconstruction efforts of Afghanistan by providing assistance to the ongoing efforts of the UNICEF and UNESCO and also by implementing projects through their own contractors. JICA has repaired existing women's schools, and built new ones as part of a wider effort at improving the status of women; funded UNESCO for training Afghan teachers in Pakistan and developing literacy and extracurricular education in Afghanistan; contributed to UNICEF's Back-to-School Campaign; placed Education Advisors in the MOE and

in the Literacy Department; and promoted youth friendship programs. JICA is represented on TEP as well.

In addition, there are small-scale teacher training initiatives being implemented and managed by NGOs. For example, Bangladesh Rural Advancement Committee (BRAC) has been training teachers in the Kapisa and Parwan Provinces while CARE International and Save the Children are training teachers in the Logar and Bamiyan Provinces, and Aga Khan Development Network (AKDN) in Baghlan and Badakhshan. ISCECO (Islamic Countries) is training teachers who teach Islamic studies and Arabic in various provinces.

2. Vocational Education

With a devastated economy and extremely under-resourced government staff, Afghanistan is in desperate need of skilled workers—ranging from laborers with basic industrial skills to professional leadership. USAID's program analyses and the Mission's efforts to date indicate, the need for trained workers in construction, manufacturing, commerce, justice, health, agriculture as well as in the operations and maintenance of power, water, transportation, and communications infrastructure. Yet there is no Afghan system and very little donor structure in place to train people in the skills needed in these sectors. As a consequence, external development agencies are either employing foreigners, even for the most basic tasks of road building, while unskilled Afghan people sit idle, or they are hiring Afghan workers who produce sub-standard results.

While the general need for skilled workers is widely recognized, there is no good information about the demand for specific skills. Nor are there standards or certification programs that allow employers to judge the competence of potential recruits. Government efforts.

One of the government's 12 National Priority Programs is the National Skills Development and Market Linkages Program (NSD&MLP). The emphasis in this program is clearly on the more fundamental, basic skills, at least in the short and intermediate terms. The immediate strategy of the program aims to provide skills training to the defined vulnerable groups. The NSD&MLP lays out a comprehensive plan in the four traditionally defined sectors (agriculture, industry, commerce, and service), plus smaller programs in "Second Chance Livelihood Skills Development," infrastructure development, and labor market surveys.

The stated aims are to provide skills development in the immediate term for the worst affected groups in the community, to provide skilled workers for those sectors currently facing a worker shortage in the intermediate term, and to provide quality training in the long term to meet the needs of a modern market economy.

The government has designated several groups as being particularly vulnerable as the nation emerges from decades of conflict. Estimates of the numbers of persons in each of these categories are so varied as to be useless, but there can be no doubt that the numbers are large. As an example, the number of demobilized soldiers was originally projected to be approximately 60,000. Similarly, the numbers of widows and war-affected children are in the tens of thousands. The defined vulnerable groups include:

- Demobilized soldiers and child-soldiers.
- War affected children.
- Street and working children
- Internally displaced persons.
- People with disabilities.
- Unemployed persons
- Single-headed households (primarily widows)
- Returning refugees.

The immediate goal involves the expenditure of approximately \$5 million over the next three years to provide short-term skills training that will lead to employment of 10,000 citizens.

The Ministry of Labour and Social Affairs, which is responsible for this program, has limited capacity. The ministry's activities in this arena have been assisted by an informal group of international advisors. Without this help, or some analog, the Ministry is ill-equipped to run a \$20 million National Priority Program (NPP).

The Ministry of Education's Department of Vocational Education runs the formal vocational training school system, which is more or less defunct. It has operated approximately 40 technical schools, but most of these are now in serious disrepair. However, with good management, this nationwide system could be resuscitated and would then contribute significantly to the training and the development of skilled individuals. The Ministry of Justice runs (at least) one Vocational Training Center for "delinquent children" in its care. Regrettably, there are no standards and no certification process.

Information from the Ministry of Finance (as of December 7, 2004) indicates that government requires approximately \$6.5 million for vocational training programs within the education NPP. This does not include vocational skills training taking place within other sectors.

a. External support

European and other bilateral agencies are providing some support to the government in rebuilding vocational education programs. Many NGOs are working effectively in this arena. Activities are not coordinated, although the IRC has made an effort at getting together an inventory. JICA has made a serious commitment, and GTZ, IOM, CONTRACK International, and other organizations are doing excellent work, particularly in the construction sector. There are a few domestic or Afghan-American groups that are also effective, one of the best being Afghans 4 Tomorrow. University of Nebraska/Omaha and Purdue University were previously involved in USAID supported vocational education but are no longer active.

The Ministry of Finance source (www.af/MOF/budget; no date) shows that in 2004 donors funded approximately \$5.5 million in vocational training projects.

3. Higher education

There has been considerable progress in the past three years. Many buildings at Kabul University have been renovated. New emphasis has been placed on the teaching of English. There is a growing appreciation of the need for libraries and librarians. Student enrollment has grown, especially female enrollment, which in 2003 was about 20% of the total higher education student population and nearly half of the student population in the Pedagogical Institutes and the University of Education. There is a strategic plan for higher education. But there remain very serious issues:

- Only 6% of the faculty in the 16 institutions have a PhD (or equivalent) degree. At Kabul University and Kabul Polytechnic Institute the situation is better (10% and 33%, respectively); at all other institutions, the situation is very poor (2%).
- Only 12% of the faculty is female.
- There are currently no private institutes of higher education.
- Many of the buildings in the universities are in very dilapidated condition. At Kabul University the most serious infrastructure problems are at the School of Chemistry, the Faculty of Science, and the Old Medical School. Some provincial institutions have virtually no physical infrastructure of their own (e.g., Takhar, Balkh).
- Sanitation at most institutions is in a deplorable state. Kitchens at most institutions are run down, ill equipped and unsanitary. There is almost no functioning scientific equipment.
- Libraries are poorly stocked, and many of the resources are in English or Russian, neither of which can be read by a majority of students.

a. *Government efforts*

The Ministry of Higher Education has adopted a Strategic Action Plan that calls for the introduction of private higher education in Afghanistan; the designation of five specified regional institutions to attain “university status” in the American/western sense, with concomitant strengthening of those institutions; the enhancement of the four “national” universities in Kabul; and the development of branch campuses and community colleges in the provinces.

The Ministry of Higher Education runs the sixteen universities and institutions of higher education. The Ministry has now also taken on two teaching hospitals in Kabul, with some responsibility for a third. The Ministry is strongly supportive of the soon-to-be established American University of Afghanistan, and has provided the land for this institution.

The recurrent budget for FY 1382 was 330,543,000 AF (approximately \$7 million), which is 5.5% of the total education budget or 1.3% of the total government budget. Slightly more than half of this higher education budget was for personnel. The budget for the sixteen institutions was approximately 205 million AF (approximately \$4.2 million). With a total enrollment of slightly more than 31,000 students, this equates to a per student expenditure of about \$135.

b. *External support*

UNESCO provided leadership for the Strategic Action Plan, with funding from Germany and the Nordic countries. Japan is committed to supporting the proposed Ali-Abad teaching hospital. Both Germany and Japan have funded significant reconstruction at Kabul University and elsewhere. The Government of Italy has committed \$1 million for the Legal Training Center, and INL has offered to provide furnishings. The UN is funding the building of the law library.

4. Literacy

Afghanistan has one of the highest rates of non-literacy in the world. In rural areas, where three-fourths of all Afghans live, 90% of the women and 63% of the men are not literate, and in many villages 95 to 100% of the women cannot read or write. Countrywide, 70% of rural and 47% of urban heads of households are not literate. Even in Kabul, among 18 to 25 year-olds, 51% of young women and 31% of young men are not literate, and the rate worsens dramatically in each older age group.

a. *Government efforts*

Securing Afghanistan's Future: Accomplishments and the Strategic Path Forward targets an increase in the adult literacy rate from 36% to 56% between 2004 and 2015, which meets the Millennium Development Goal³ but it does not outline any government strategy to achieve that.

Within the Ministry of Education, the Department of Functional Literacy and Non-formal Education has staff at the central Ministry and provincial department levels. However, capacities are extremely low, lack of background or training in literacy, and low government salaries that do not attract competent staff.

The MOE runs literacy schools and courses primarily in urban centers. 2003 data show 10,864 courses with 249,571 students and 6,843 teachers, with the large majority of teachers and students being male. The program includes both basic literacy and higher-level courses with a science, history, math curriculum similar to the MOE, with 60% of courses covering vocational skills such as tailoring. Students who complete the course can enter government secondary or vocational schools; most choose the latter. The curriculum is comprised of primers published many years ago, using an alphabet-led approach, that is considered by internationals and experienced Afghans as extremely poor pedagogically.

b. *External support*

UNICEF and UNESCO have developed a women's literacy text but have no funds to print the books. UNICEF's and UNESCO's new literacy texts are

³ (reference, if not discussed earlier)

more linked to life skills than the old national curriculum, and depend more upon active learning. Both organizations have worked closely with the Literacy Department to co-develop these materials and therefore to get buy-in and designation of their materials as a national literacy curriculum or approved materials under the MOE. JICA is funding a Japan/UNESCO effort to replicate a community learning centers model developed elsewhere by UNESCO. A few of these have been built in Kabul/Kabul province but with no funding for programs as yet. The Literacy Department seems to endorse these as the future direction. IRC, CARE, GTZ, AIL and others have had or are carrying out literacy efforts, some as stand alone, others in conjunction with other activities; Relief International states it has trained 7,000 women in functional literacy. Many individuals and small groups offer literacy classes throughout the country, most without adequate training; many provide services for a small fee and some are funded by donors.

5. Summary of binding constraints in the Education Sector

In every sub-sector of education—basic education, higher education, vocational skills training and literacy for out-of-school youth and adults—the constraints to progress are similar: pay for teachers, shortage of teachers, poorly trained teachers, poor teaching materials, lack of instructional materials/equipment and lack of facilities. The *binding constraints*—those that must be reduced if more students are to receive a quality education—are the dire lack of competent teachers/trainers and classrooms, schools and other instructional settings that provide a suitable learning environment.

III. Funding.

Financial Plan. The financial plan for the Program is set forth in the attached tables. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement.

IV. Results To Be Achieved/Results Framework.

A. Health Sector Result

The Objective of a better educated and healthier population is supported by the Result which is increased access of women and children under the age of five to quality basic health services, especially in the rural and underserved areas.

The Result is supported by four sub-Results or Intermediate Results, described below:

1. Expanded access to quality BPHS services

In addition to supporting the provision of basic services at the basic and comprehensive Health Center (CHC) levels, USAID will support the provision of the Essential Package of Hospital Services (EPHS). In coordination with communities and the MOPH, USAID will build and rehabilitate clinics, hospitals and other health facilities improving BPHS and EPHS implementation. This package will be implemented in district and provincial hospitals.

USAID will help the ministry provide pre-service education and in-service training. A more intense and consistent effort is needed to train health workers in both pre and in-service. The current efforts are not sufficient in scope to meet the needs of the population. Currently, only 50% of the population has access to BPHS services.

2. Improved capacity of individuals, families and communities to protect their health

To complement all of the work that is being done to train providers, strengthen health systems and increase access to services, USAID will also support activities that improve the capacity of individuals and communities to become active consumers of health services and make informed decisions about their health. This will be accomplished by developing and disseminating health messages and creating linkages between communities and service points.

3. Strengthened government health systems

The program will improve the capacity of the Ministry of Public Health to do health research. Begin and build the capacity to do health research that will eventually lead to an increased volume of reliable data and evidence-based decision making. It will also support the development of a quality assurance system. Steps need to be taken to encourage the development of a low-tech quality assurance system to monitor at the quality care being given at the community level.

4. Improved capacity of the private sector to provide health products and services

Previously social marketing was included in the expanding access to quality services result. Evidence suggests that approximately 80% of health services, although generally low quality and unregulated, in Afghanistan are provided by the private sector. While it is difficult to predict, experts speculate that even when public facilities improve and attract more users, the private sector will continue to be the main provider of care for the majority of the population. Because so many people in Afghanistan rely on private doctors, midwives and pharmacists to provide services as well as health products, USAID feels additional investment is essential. This Intermediate Result seeks to develop the private sector by expanding the range of products and services provided by the private sector while at the same time improving the quality of the services they offer.

B. Education Sector Result

The Objective of a better educated and healthier population is supported by the Result which is increased access of children, youth and adults to quality teaching and suitable learning environments.

The Result is supported by Intermediate Results in three sectors described below: basic (primary and secondary) education, literacy and occupational skills training, and higher education. Each of the Intermediate Results is supported by sub-results.

1. Basic (primary and secondary) education

Development hypotheses. Afghan students need to acquire knowledge and skills that prepare them for leading meaningful and productive lives. The critical inputs into an education system that provides these skills and knowledge are qualified teachers and a suitable learning environment. Teachers must not only know their subject matter; they must also be able to help students acquire new skills and knowledge and to think critically and creatively about information presented. Students must also have access to a safe and healthy learning environment.

(a) Intermediate result 1: Primary and secondary students with knowledge and skills to better prepare them for productive lives. It has three sub-Intermediate Results.

(i) Sub-result 1.1. Teachers who know their subject well and use learner-centered methods to teach it.

In cooperation with the MOE and implementing partners, USAID will improve teachers' subject knowledge and teaching skills through a comprehensive in-service teacher training program that uses a multiple strategies. Short, needs-based, practical courses may be developed and targeted to basic education teachers nationwide with a special effort to include MOE, community-based schools and early childhood development initiatives, which may include madrassas, in underserved areas. The approach will entail school-based, provincial, distance, and face-to-face training. Over time and with proper follow-up this will lead to a measurable improvement in teacher performance.

(ii) Sub-result 1.2. A sustainable MOE system supports continuous teacher development.

Through training and technical assistance, USAID will ensure that the MOE develops the institutional capacity to provide quality training and support to in-service teachers. USAID assistance will include development of teacher standards; training packages for teachers, inspectors, and headmasters; linkages between parents/community groups and schools; cadres of master trainers, teacher trainers and training managers; teacher networks, a training monitoring and evaluation system; and a EMIS to track and report on training. Throughout the 5 years of the basic education strategy USAID will work closely with the

MOE and implementing partners to increasingly take over, manage, and fund a national in-service teacher training and support system.

Sub-result 1.3. More schools providing a safe and healthy learning environment.

USAID will also focus on ensuring greater access to a suitable learning environment by working in partnership with communities, implementing partners, and the MOE to build and rehabilitate schools, again with an emphasis on primary level early childhood development and underserved areas.

2. Higher education

Development Hypothesis. The Agreement is designed to assist the Afghan nation in the development of human capital and emerging leadership. A key constraint to this development is the poor quality of tertiary education, including professional education and training. Good-quality education, in turn, hinges more than any other factor on the competence of teachers. In conjunction with the Ministry of Higher Education, and using an integrated approach that takes into account the efforts of other donors and organizations, USAID will focus on the enhancement of selected existing departments/faculties and the introduction of private higher education.

(a) Intermediate Result 2: Higher-level students with knowledge and skills that prepare them for productive lives. It has two sub-Intermediate Results.

(i) Sub-result 2.1. Upgraded standards, teaching, facilities and equipment in teacher-education institutions and selected faculties

USAID will focus first on teacher-education institutions as they prepare the teachers of tomorrow and thus help strengthen I.R 1. Within the confines of available resources, USAID will also select other departments/faculties for assistance based on the following criteria: government development priorities, USAID objectives, opportunities, unmet needs, and cost-impact trade-offs, and donor complementarity.

(ii) Sub-result 2.2. Private, American-style higher education

The development of an American University of Afghanistan will provide the benefits of an American-style university education to the next generation of Afghanistan's leaders. Since existing Afghan universities do not provide appropriate training in management and other business-related subjects, public administration, or in programs designed to cultivate women's leadership, these are the areas that will form the initial focus of AUAf. The building of an American University here will give Afghanistan the opportunity to become an educational and cultural center for all of central Asia and will ensure that the leadership of this country has an American-style education with democratic values.

3. Literacy and occupational skills training

Development hypotheses. There is a huge gap between Afghanistan's literacy and occupational needs for its recovery and long-term development and the pool of skills currently available. Efforts to fill this gap are being carried out by the government and several donors in the formal and non-formal sector. At the community level, non-literacy rates vary according to region and gender but average between 70 – 90%, with the highest rates in rural areas and among women. Adults and young people who lack literacy have less opportunity to improve or develop new occupational skills. Separate from literacy, adults lacking basic occupational skills either perform at a sub-standard level or lose out on jobs openings to more qualified foreign workers.

To develop literacy and occupational skills on a wide scale, USAID will pursue two approaches. The first is to model, then expand, literacy and productive skills development through the extensive network of the elected Community Development Councils of the National Solidarity Program (NSP). The Councils will mobilize community resources and provide support, especially for participation of women and girls. The Councils will help facilitate a program of literacy linked with economic skills and assets development.

USAID will also strengthen the capacity of the Ministry of Rural Rehabilitation and Development (MRRD) to ensure continued support of community-based literacy and occupational skills training programs.

A second approach will address the market's need for skilled workers including on USAID and other donor-funded projects. It will focus on strengthening private sector capacity to provide quality integrated vocational and literacy training. Through an umbrella mechanism, USAID will award grants/contracts to training providers for job-training required by USAID projects. Recognizing the weaknesses in this sector, USAID will also offer training and TA to ensure a pool of qualified and competitive training providers.

(a) Intermediate Result 3: Out-of-school adults and youth with literacy and occupational skills.

(i) Sub-result 3.1. Develop community-based literacy, numeracy and life skills training, particularly for women and girls.

USAID will work through communities and locally elected Community Development Councils of the National Solidarity Program to implement literacy linked with economic skills and strengthened participatory governance based upon prioritized needs of local communities.

(ii) Sub-result 3.2. Strengthen MRRD capacity to support community-based programs for literacy, numeracy, and enterprise skill training.

To build long-term sustainability, USAID will provide training and technical assistance to the Ministry of Rural Rehabilitation and Development to effectively plan, manage, and evaluate community-based programs

(iii) Sub-result 3.3. Develop a Center for National Literacy.

The Center will produce appropriate pedagogy and materials adaptable to various skills needs, and provide training for quality literacy, numeracy and life skills linked with productive skills development. The Center will provide these as a resource for all relevant Mission sectors to meet their objectives for literacy and productive skills development, and for the Ministry of Education and organizations of civil society to offer quality literacy training. The Center will also develop an innovative program for training of literacy trainers and literacy teachers with a stepped certification process that creates and supports a vocational career path for adults and young people, particularly women and older girls.

(b) Intermediate Result 4: A private-sector market for vocational training.*(i) Sub-result 4.1. A framework for a system of vocational standards and qualifications.*

In order to provide larger numbers of learners with timely acquisition of vocational skills, Afghanistan will need a system for vocational standards and qualifications. The system will eventually be able to articulate course objectives with corresponding job qualifications and certify learners' fulfilment of course requirements. The first stage of the system is a framework that complements the primary-secondary curriculum for all students.

(ii) Sub-result 4.2. Model private training organizations.

Because it has few models of private vocational training organizations, Afghanistan will benefit from a few successful organizations that serve as models for others. The training organizations will offer modularized courses, so that learners can acquire specific skills within a short period of time and move directly into an entry-level job or advance to a higher-level of certification. Short, modularized courses allow more learners to access the system, because each training centre can accommodate more students in a given period of time.

V. General Indicators

Through USAID's support to the Ministry of Public Health (MOPH) it is anticipated that by 2010 that there will be 14 fully functioning Provincial Hospitals that have been newly constructed, or renovated and equipped. In addition, these hospitals will have a full complement of trained staff with adequate supplies to deliver the Essential Package of Hospital Services (EPHS). Below the hospital level USAID inputs will allow 100% of the population in 14 provinces to have access to the Basic Package of Health Services (BPHS) that are provided by a complement provider in a new or refurbished facility that has the required complement of drugs. Between services provided in hospitals, comprehensive and basic centers approximately 11,992,716 people will have

access to basic and secondary health services; of that number approximately 4,437,300 are women of reproductive age and children under 5 years of age.

In terms of human resource and health systems development, USAID will have funded the training of approximately 2,100 community and hospital-based midwives, which will meet the needs of women of reproductive in the USAID 14 target provinces. In addition USAID will have trained an additional 7,000 health workers and operationalized a total of seven Institute of Health Sciences campuses. Through private commercial markets, USAID will have supported the distribution of an estimated 17,000,000 units of health products sold by private outlets.

A discussion of the establishment of additional indicators and interim indicators is set forth below in Section VIII of this Annex (Monitoring and Evaluation).

VI. Activities/Activity Selection.

A. Health Sector Activities

In addition to the activities described above, USAID will continue to seek increased contraceptive prevalence and an increase in the percent of births attended by skilled attendants and the percent of children fully immunized. Activities may attempt to expand coverage of basic and essential obstetric care, child health, family planning services, and tuberculosis control by increasing the number of operational service points in rural areas. Activities will also include a social marketing initiative that markets health products through commercial sector outlets.

In addition activities may seek to implement behavior change communication strategies that will promote healthy practices through public health education programs, and developing the interpersonal communication skills of health workers. Improvement in the capacity of the MOPH at both the central and provincial levels, to plan, manage, monitor and evaluate the implementation of the BPHS may also be undertaken.

Furthermore, activities focused in the areas of rural primary health care for vulnerable populations, especially women and children, may include activities being implemented at the central and provincial levels, in partnership with the Ministry of Public Health, to develop a sustainable foundation for a nationwide health care system. The goal of those activities is to improve the health of women of reproductive age and children less than five years of age.

Some activities may be implemented through performance-based grants. Activities may focus on improving the performance of nongovernmental organizations in the delivery of health services. Increasing the participation of the private sector in the distribution and increased availability of health promoting products safe water systems, contraceptives, zinc tablets and insecticide treated bed nets may also be pursued.

Activities under USAID's REACH⁴ program and its predecessor project AHSEP⁵ will continue. Under these programs the Basic Package of Health Services (BPHS) has been provided to 8.6 million people. Of that number, nearly 2 million are women of reproductive age, and 1.3 million were children under the age of five years. To address the lack of skilled human resources in Afghanistan, the REACH program may continue to support and train Community Health Workers (CHW); as well as physicians, nurses and midwives to deliver the BPHS. Family planning activities will continue including, efforts to work with private commercial outlets and others to make available condoms and other contraceptives. Promotion of the use of insecticide treated bednets may also continue.

The REACH program and other implementing agreements currently in place will now come under this Agreement. Until those implementing agreements expire, USAID assistance will be dedicated to ensuring that those agreements complete their commitments to the Ministry of Public Health. New implementing agreements will replace those currently in place. Other activities may include additional training work with the Institute of Health Sciences as well as some operations research in the prevention of postpartum hemorrhage. Also, an implementing partner will be contracted to conduct a demographic health survey.

B. Education Sector Activities

In addition to the activities described above, USAID may continue to provide accelerated learning to overage students particularly girls who were denied access to education under the Taliban; improve teacher performance; ensure adequate school textbooks for all grades; increase education facilities; and strengthen the capacity of the Ministries of Education and Higher Education.

In addition, under this Agreement USAID may continue to support the Afghanistan Primary Education Program (APEP) and its four components: (1) Accelerated learning, which enrolls over-age, particularly female students in 17 provinces, in non-formal learning programs that advance them 2 grades each year until they are ready to join mainstream school grade level; (2) printing and distribution of textbooks in Dari and Pashto for grades 1 – 12; (3) radio-based teacher training by subject in Dari and Pashto; and (4) technical assistance to build MOE and MOHE planning, policy and management capacity. USAID and other U.S. Government agencies, such as the Department of Defense, along with U.S. Government contractors may construct, rehabilitate, and equip schools.

Under this Agreement, USAID may continue to conduct activities to meet urgent educational needs such as textbook printing, radio-based teacher training, and accelerated learning in the provinces. Technical assistance to strengthen capacity at the MOE and MOHE may also be conducted.

⁴ REACH alone has provided BPHS services to 4.7 million people; 1.1 million MWRA; 767,000 children <5 years and 2.9 million others. The end of project target for services delivered is 6.5 million.

⁵ Afghanistan Health Services Enhancement Project (AHSEP) ran from 3/02 to 6/03. This project provided BPHS services to 3.8 million people; 890,000 MWRA; 620,000 children < 5 years; and 2.3 million others.

Additional activities under this Agreement may include (a) funding of a linkage between Balkh University, faculty of agriculture and an American university to support faculty development and acquisition of technical materials, (b) renovation of the Women's Dormitory at Kabul University and the Guesthouse at the Ministry of Higher Education, (c) building of an American University of Afghanistan, a private, American style university projected to enroll up to 1,000 Afghan students, (d) building of an American international school and rehabilitation of Ghazi Boys High School and Karte Se Girls School, all in Kabul. Additional activities involving a legal training center and further renovation at Kabul University may be considered.

USAID may also pursue activities under this agreement to (1) help women learn literacy skills so that they might practice better health and hygiene, and to qualify them to be trained as community healthcare workers and mid-wives; the program is a component of USAID's REACH project in the health sector; and (2) develop and implement a model program to provide literacy training linked with economic activities while strengthening men's and women's local councils and demonstrating acceptance of women's literacy. Such activities may be implemented through the National Solidarity Program. USAID may also continue support of activities through the Literacy and Community Empowerment Program (LCEP) which aims to empower rural women and young people by imparting literacy, numeracy and life skills training. The LCEP also works towards strengthening democratically-elected, grassroots civil society institutions in enterprise development and participatory governance.

VII. Roles and Responsibilities of the Parties.

The Objective will be achieved through partnership among USAID, the Grantee (represented primarily by the Ministry of Public Health, the Ministry of Education and the Ministry of Higher Education), private voluntary organizations (PVOs) and non-governmental organizations (NGOs) (both U.S. international and local), public international organizations, contractors, cooperating agencies, local communities, and other donors. Other donors include the European Commission, World Bank and JICA. Coordination occurs through Consultative Group on Health and Nutrition (CGHN) meetings, in addition to a number of MOPH coordinated Task Forces and working groups. This extended team will bring together the concerns opportunities and issues of other partners to ensure that Agreement activities are the most appropriate and effective to reach the desired Results. Roles and relationships among these groups may be more fully described in Implementation Letters, however, some general responsibilities are described below.

The most essential partner in both the health and education sector is the target population itself. The Grantee will seek collaboration with local communities to ensure local ownership, direction and sustained support of health and education services.

It is up to the Grantee to articulate clear policies and guidelines in both the health and education sector in accordance with its national priorities and ensure compliance with such policies and guidelines.

The private sector, PVOs and NGOs play an important role in the identification and implementation of health and education programs, and provide technical expertise

not always available within USAID or the Grantee. Grant proceeds may be provided by USAID directly to such implementing partners to carry out activities under this Agreement. USAID may select implementing organizations in accordance with its procurement and other relevant policies and procedures. The Grantee agrees to raise any issues related to implementing organizations on USAID-funded activities, including without limitation any issues related to inadequate or non-performance, directly with USAID rather than the implementing organization(s) in question.

Both USAID and the Grantee are responsible for coordinating strategy, resource programming and policy with other donor agencies operating in Afghanistan's health and education sector. Achievement of the expected results described herein is based on the assumption that certain results will be achieved by other donors, which are beyond the manageable interests of USAID. The Grantee is responsible for articulating national priorities to the entire donor community in both the education and health sectors.

In order to ensure full coordination and consultation, the Parties agree to meet at least twice each calendar year, beginning with the first full calendar year following the execution of the Agreement, to review all aspects of this Agreement, including both strategic and operational issues. In such meeting the Parties will discuss whether activities being carried out under this Agreement are leading to the results outlined in this Annex 1 or are achieving the indicators set forth in Implementation Letters. The Parties may discuss their views as to whether there may be a need to alter, increase or discontinue activities, plan new activities or alter the resource allocations to particular activities in order to meet the Objective and Results and achieve continued alignment with the Grantee's national development priorities. It is expected that the Parties will also discuss current and future resource requirements related to such activities and the overall estimated expenditures for activities over the remaining term of the Agreement.

In addition, as part of its internal planning process, USAID intends to develop concept papers with general cost estimates for new program areas it is considering in furtherance of the mutual objectives set forth in this Agreement. USAID will consult and engage with the Grantee at the concept paper stage of development of new programs within the scope of this Agreement. Under internal procedures that are being developed, USAID will share each concept paper for a new program area with the Grantee. The Grantee will review the concept paper and participate in setting the direction and parameters for the subsequent stage of review and approval of the new program by USAID. It is possible that a concept may not advance to the subsequent stage of planning within USAID to the extent the Grantee has serious concerns that cannot be addressed after discussions between the Parties. Grantee review of concept papers will be carried out by the Ministry of Finance or the Ministry of Finance's designee. A similar consultative process will be followed during the project design stage.

USAID also intends to invite Grantee participation, as appropriate, in procurement evaluation panels for major activities. The Grantee will participate in such panels through the designation by the Ministry of Finance of an individual either from the Ministry of Finance or another appropriate Ministry to sit on such panel. The Grantee's representative shall comply with USAID's regulations governing participation on such panels as indicated by USAID.

VIII. Monitoring and Evaluation.

Indicators and specific quantitative targets have been discussed and agreed upon among USAID and the Ministry of Public Health and the Ministry of Education/Ministry of Higher Education for the health and education sectors, respectively. A list of indicators, including precise descriptions that include, among other details, quantity, periodicity and the appropriate source for obtaining data may be further detailed in Implementation Letters.

Some of the indicators will derive from routinely collected statistical data. Other regular performance data will be drawn from observations of monitoring and supervision field visits and periodic sample surveys. For some performance indicators, baseline data must be collected or verified. Targets will be based on current trends and the estimated impact of USAID and other donor interventions. Targets will be re-examined and adjusted, if necessary, as additional data become available.

USAID may take corrective action based on the results of the monitoring and evaluation of the data or at the request of the Grantee. Corrective action may include, but is not limited to, discontinuing, reducing or otherwise modifying one or more ongoing activities, or adding new activities. Funds allotted to activities may be discontinued, reduced or shifted to existing activities or new activities in furtherance of the Objective.

IX. Other Implementation Issues.

The Parties agree that with respect to the audit provisions set forth in Section B.5 of Annex 2 to this Agreement (Standard Provisions), to the extent USAID funds non-Grantee implementing partners directly for activities under this Agreement, USAID will include necessary audit provisions in its implementing agreements with such partners in lieu of the Grantee submitting the required audit plan described in that Section.

ILLUSTRATIVE BUDGET FY05 - FY10
A BETTER EDUCATED AND HEALTHIER POPULATION

in thousands USD

Increase Access of Women and Children Under 5 to Quality Basic Health Services, especially in rural and Underserved Areas	41,200		51,550		71,000		85,500		91,500		99,500	
Tetanus, Polio, Malaria and TB control	0		3,000		5,000		8,000		10,000		10,000	
Hospital and clinic Rehabilitation, Basic service Provision and MOHP Capacity Building	38,700		46,550		64,000		75,500		79,500		87,500	
Victims Assistance	2,500		2,000		2,000		2,000		2,000		2,000	
Increase Access of Children, Youth, and Adults to Quality Teaching and Suitable Learning Environments	42,400		49,750		73,000		91,500		96,500		103,500	
Basic Education Project	15,400		31,750		34,000		39,500		40,000		40,000	
Higher education (includes scholarships)	10,000		7,000		12,000		15,000		20,000		28,500	
School Construction / Refurbishment	12,500		6,500		22,000		22,000		25,000		20,000	
Literacy and Production Skills	2,000		4,500		5,000		15,000		11,500		15,000	
Capacity Building (MOWA)	2,500		0		0		0		0		0	
Pre-Existing Mortgage	10,200		7,000									
USAID Program Support	1,500		2,500		3,000		5,000		6,000		7,000	

Note 1: All amounts are estimates and are subject to the availability of funds and the other terms and conditions of this Agreement and applicable law.

Note 2: References to "FY" refer to the U.S. government fiscal year with respect to the USAID contribution and the fiscal year of the GOA with respect to GOA contributions, beginning with the second half of Afghan year 1384 corresponding to FY05.

**Annex 2
Standard Provisions**

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Standard Provisions

Article A: Definitions and Implementation Letters.

Section A.1. Definitions. As used in this Annex, the "Agreement" refers to the Strategic Objective Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Section A.2. Implementation Letters. To assist the Grantee in the implementation of the Agreement, USAID, from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters can also be issued to record revisions or exceptions which are permitted by the Agreement.

Article B: General Covenants.

Section B.1. Consultation. The Parties will cooperate to assure that the Objective and Results of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on progress towards the Objective and Results, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged under the Agreement, and other matters relating to the Agreement.

Section B.2. Execution of Agreement. The Grantee will:

- (a) Carry out the Agreement or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by USAID pursuant to this Agreement; and
- (b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of activities financed under the Agreement, and, as applicable for continuing activities, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective and Results of the Agreement.

Section B.3. Utilization of Goods and Services.

- (a) Any goods and services financed under this Agreement, unless otherwise agreed in writing by USAID, will be devoted to the Agreement until the completion or termination of the Agreement, and thereafter (as well as during any period of suspension of the Agreement) will be used to further the Objective of the Agreement and as USAID may direct in Implementation Letters.

(b) Goods or services financed under this Agreement, except as USAID may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in USAID Geographic Code 935 as in effect at the time of such use.

Section B.4. Taxation.

(a) General Exemption. The Agreement is a program agreement under the terms of the Point Four General Agreement for Technical Cooperation, dated as February 7, 1951, between the Grantee and the United States Government, and the assistance thereunder is free from any taxes imposed under laws in effect in the territory of the Grantee.

(b) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to (1) any activity, contract, grant or other implementing agreement financed by USAID under this Agreement; (2) any transaction or supplies, equipment, materials, property or other goods (hereinafter collectively "goods") under (1) above; (3) any contractor, grantee, or other organization carrying out activities financed by USAID under this Agreement; (4) any employee of such organizations; and (5) any individual contractor or grantee carrying out activities financed by USAID under this Agreement.

(c) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to, the following taxes:

(1) Exemption 1. Customs duties, tariffs, import taxes, or other levies on the importation, use and re-exportation of goods or the personal belongings and effects (including personally-owned automobiles) for the personal use of non-national individuals or their family members.

Exemption 1 includes, but is not limited to, all charges based on the value of such imported goods, but does not include service charges directly related to services performed to transfer goods or cargo.

(2) Exemption 2. Taxes on the income, profits or property of all (i) non-national organizations of any type, (ii) non-national employees of national and non-national organizations, or (iii) non-national individual contractors and grantees. Exemption 2 includes income and social security taxes of all types and all taxes on the property, personal or real, owned by such non-national organizations or persons. The term "national" refers to organizations established under the laws of the Grantee and citizens of the Grantee, other than permanent resident aliens in the United States.

(3) Exemption 3. Taxes levied on the last transaction for the purchase of goods or services financed by USAID under this Agreement, including sales taxes, value-added taxes (VAT), or taxes on purchases or rentals of real or personal property. The term "last transaction" refers to the last transaction by which the goods or services were purchased for use in the activities financed by USAID under this Agreement.

(d) If a tax has been levied and paid contrary to the provisions of an exemption, USAID may, in its discretion, (1) require the Grantee to refund to USAID or to others as USAID may direct the amount of such tax with funds other than those provided under the Agreement, or (2) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Parties.

(e) In the event of a disagreement about the application of an exemption, the Parties agree to promptly meet and resolve such matters, guided by the principle that the assistance furnished by USAID is free from direct taxation, so that all of the assistance furnished by USAID will contribute directly to the economic development of the country of the Grantee.

Section B.5. Reports and Information, Agreement Books and Records, Audits, and Inspections.

(a) Reports and Information. The Grantee shall furnish USAID accounting records and such other information and reports relating to the Agreement as USAID may reasonably request.

(b) Grantee Agreement Books and Records. The Grantee shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred by the Grantee under the Agreement, the receipt and use of goods and services acquired under the Agreement by the Grantee, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the Grantee, the basis of award of Grantee contracts and orders, and the overall progress of the Agreement toward completion ("Agreement books and records"). The Grantee shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or at the Grantee's option, with approval by USAID, other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the country of the Grantee. Agreement books and records shall be maintained for at least three years after the date of last disbursement by USAID or for such longer period, if any, required to resolve any litigation, claims or audit findings.

(c) Grantee Audit. If \$300,000 or more of USAID funds are expended directly by the Grantee in its fiscal year under the Agreement, the Grantee shall have financial audits made of the expenditures in accordance with the following terms, except as the Parties may otherwise agree in writing:

(1) With USAID approval, the Grantee shall use its Supreme Audit Institution or select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General ("Guidelines"), and the audits shall be performed in accordance with the Guidelines; and

(2) The audit shall determine whether the receipt and expenditure of the funds provided under the Agreement are presented in accordance with generally accepted accounting principles agreed to in section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the Grantee's year under audit.

(d) Sub-recipient Audits. The Grantee, except as the Parties may otherwise agree in writing, shall submit to USAID, in form and substance satisfactory to USAID, a plan for the audit of the expenditures of "covered" sub-recipients, as defined below, that receive funds under this Agreement pursuant to a direct contract or agreement with the Grantee.

(1) A "covered" sub-recipient is one who expends \$300,000 or more in its fiscal year in "USAID awards" (i.e., as recipients of USAID cost reimbursable contracts, grants or cooperative agreements and as sub-recipients under USAID strategic objective and other grant agreements with foreign governments).

(2) The plan shall describe the methodology to be used by the Grantee to satisfy its audit responsibilities for covered sub-recipients. The Grantee may satisfy such audit responsibilities by relying on independent audits of the sub-recipients; expanding the scope of the independent financial audit of the Grantee to encompass testing of sub-recipients' accounts; or a combination of these procedures.

(3) The plan shall identify the funds made available to covered sub-recipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities. (A nonprofit organization organized in the United States is required to arrange for its own audits. A for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States with a direct grant from USAID is required to arrange for its own audits. A host-country contractor should be audited by the Grantee's auditing agency.)

(4) The Grantee shall ensure that covered sub-recipients under direct contracts or agreements with the Grantee take appropriate and timely corrective actions; consider whether sub-recipients' audits necessitate adjustment of its own records; and require each such sub-recipient to permit independent auditors to have access to records and financial statements as necessary.

(e) Audit Reports. The Grantee shall furnish or cause to be furnished to USAID an audit report for each audit arranged for by the Grantee in accordance with this Section within 30 days after completion of the audit and no later than nine months after the end of the period under audit.

(f) Other Covered Sub-recipients. For "covered" sub-recipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID, USAID will include appropriate audit requirements in such contracts or

agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

(g) **Cost of Audits.** Subject to USAID approval in writing, costs of audits performed in accordance with the terms of this Section may be charged to the Agreement.

(h) **Audit by USAID.** USAID retains the right to perform the audits required under this Agreement on behalf of the Grantee by utilizing funds under the Agreement or other resources available to USAID for this purpose, conduct a financial review, or otherwise ensure accountability of organizations expending USAID funds regardless of the audit requirement.

(i) **Opportunity to Audit or Inspect.** The Grantee shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect activities financed under the Agreement, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Agreement.

(j) **Sub-recipient Books and Records.** The Grantee will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all sub-agreements with non-U.S. organizations which meet the \$300,000 threshold of paragraph (c) of this provision. Sub-agreements with non-U.S. organizations, which do not meet the \$300,000 threshold, shall, at a minimum, incorporate paragraphs (h) and (i) of this provision. Sub-agreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

Section B.6. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed USAID, or caused USAID to be informed, in the course of reaching agreement with USAID on the Agreement, are accurate and complete, and include all facts and circumstances that might materially affect the Agreement and the discharge of responsibilities under this Agreement; and

(b) that it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Agreement or the discharge of responsibilities under this Agreement.

Section B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Agreement, except fees, taxes, or similar payments legally established in the country of the Grantee.

Section B.8. Information and Marking. The Grantee will give appropriate publicity to the Agreement as a program to which the United States has contributed, identify Agreement activity sites, and mark goods financed by USAID, as described in Implementation Letters.

Article C: Procurement Provisions.

Section C.1. Source and Origin.

(a) **Foreign Exchange Costs.** Disbursements for Foreign Exchange Costs will be used exclusively to finance the costs of goods and services required for the Agreement having, with respect to goods, their source and origin and, with respect to the suppliers of goods and services, their nationality, in countries included in Geographic Code 935 as in effect at the time orders are placed or contracts entered into for such goods or services, except as USAID may otherwise agree in writing and as follows:

(1) Ocean transportation costs shall be financed under the Agreement only on vessels under flag registry of countries included in Code 935. Also see Section C.6 on use of U.S. flag vessels.

(2) The country of the Grantee is an eligible source for Foreign Exchange Cost for marine insurance, if otherwise eligible under Section C.7(a).

(3) Any motor vehicles financed under the Agreement will be of United States manufacture, except as USAID may otherwise agree in writing.

(b) **Local Currency Costs.** Disbursements for Local Currency Costs will be used exclusively to finance the costs of goods and services required for the Agreement which meet the requirements of USAID's local procurement policy which will be provided in an Implementation Letter.

(c) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(d) Provisions concerning restricted and ineligible goods and services may be provided in an Implementation Letter.

(e) Transportation by air of property or persons financed under this agreement will be on carriers holding United States certification, to the extent service by such carriers is available under the United States' Fly America Act. This requirement may be further described by USAID in Implementation Letters.

Section C.2. Eligibility Date. No goods or services may be financed under the Agreement which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

Section C.3. Plans, Specifications and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to USAID upon preparation:

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation between the Grantee and third parties, relating to goods or services to be financed under the Agreement, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished USAID on preparation; and

(2) such documentation will also be furnished to USAID, upon preparation, relating to any goods or services, which, though not financed under the Agreement, are deemed by USAID to be of major importance to the Agreement. Aspects of the Agreement involving matters under this subsection (a)(2) will be identified in Implementation Letters.

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Agreement will be approved by USAID in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Agreement for engineering and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Implementation Letters, will be approved by USAID in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by USAID prior to execution; and

(d) Consulting firms used by the Grantee for the Agreement but not financed under the Agreement, the scope of their services and such of their personnel assigned to activities financed under the Agreement as USAID may specify, and construction contractors used by the Grantee for the Agreement but not financed under the Agreement, shall be acceptable to USAID.

Section C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Agreement. Such items will be procured on a fair and, to the maximum extent practicable, competitive basis.

Section C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Agreement, the Grantee will furnish USAID such information with regard thereto, and at such times, as USAID may request in Implementation Letters.

Section C.6. Transportation

(a) In addition to the requirements in Section C.1(a), costs of ocean or air transportation and related delivery services may not be financed under the Grant, if the costs are for transportation under an ocean vessel or air charter which has not received prior USAID approval.

(b) Unless USAID determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, or otherwise agrees in writing:

(1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by USAID which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels; and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by USAID and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. Insurance.

(a) Marine insurance on goods financed by USAID which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided:

(1) such insurance is placed at the most advantageous competitive rate;

(2) such insurance is placed in a country which is authorized under Section C.1(a); and

(3) claims thereunder are payable in U.S. dollars or any freely convertible currency unless USAID agrees otherwise in writing.

If the Grantee (or government of the Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by USAID hereunder shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

(b) Except as USAID may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Agreement imported for the Agreement against risks incident to their transit to the point of their use under the Agreement; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in USAID Geographic Code 935 as in effect at the time of replacement and, except as the

Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

Section C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Agreement may be used to finance the costs of obtaining such property.

Article D: Disbursements.

Section D.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, if any, the Grantee may obtain disbursements of funds under the Agreement for the Foreign Exchange Costs of goods or services required for the Agreement in accordance with its terms, by such of the following methods as may be mutually agreed upon:

(1) by submitting to USAID, with necessary supporting documentation as prescribed in Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for USAID to procure commodities or services in Grantee's behalf for the Agreement; or,

(2) by requesting USAID to issue Letters of Commitment for specified amounts directly to one or more contractors or suppliers, committing USAID to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment will be financed under the Agreement unless the Grantee instructs USAID to the contrary. Such other charges as the Parties may agree to may also be financed under the Agreement.

Section D.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, if any, the Grantee may obtain disbursements of funds under the Agreement for Local Currency Costs required for the Agreement in accordance with terms of this Agreement, by submitting to USAID, with necessary supporting documentation as prescribed in Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be purchased by USAID with U.S. Dollars. The U.S. Dollar equivalent of the local currency made available hereunder will be the amount of U.S. Dollars required by USAID to obtain the local currency.

Section D.3. Other Forms of Disbursement. Disbursements may also be made through such other means as the Parties may agree to in writing.

Section D.4. Rate of Exchange. If funds provided under the Agreement are introduced into the Cooperating Country by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into local

currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the country of the Grantee to any person for any purpose.

Article E: Termination; Remedies.

Section E.1. Suspension and Termination.

(a) Either Party may terminate this Agreement in its entirety by giving the other Party 30 days written notice. USAID also may terminate this Agreement in part by giving the Grantee 30 days written notice, and suspend this Agreement in whole or in part upon giving the Grantee written notice. In addition, USAID may terminate this Agreement in whole or in part, upon giving the Grantee written notice, if (i) the Grantee fails to comply with any provision of this Agreement, (ii) an event occurs that USAID determines makes it improbable that the Objective or Results of the Agreement or the assistance program will be attained or that the Grantee will be able to perform its obligations under this Agreement, or (iii) any disbursement or use of funds in the manner herein contemplated would be in violation of the legislation governing USAID, whether now or hereafter in effect.

(b) Except for payment which the Parties are committed to make pursuant to non-cancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to the Agreement, or to the suspended or terminated portion of the Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.

(c) In addition, upon such full or partial suspension or termination, USAID may, at USAID's expense, direct that title to goods financed under the Agreement, or under the applicable portion of the Agreement, be transferred to USAID if the goods are in a deliverable state.

Section E.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, USAID, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed or supported under the Agreement are not used effectively in accordance with this Agreement, USAID may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for or in connection with such goods or services in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.

(c) The right under subsections (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refunds under subsections (a) or (b), or (2) any refund to USAID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Agreement, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the Agreement, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on funds disbursed by USAID to the Grantee under this Agreement prior to the authorized use of such funds for the Agreement will be returned to USAID in U.S. Dollars by the Grantee, unless USAID otherwise agrees in writing.

Section E.3. Non-waiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Section E.4. Assignment. The Grantee agrees, upon request, to execute an assignment to USAID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a Party to a direct U.S. Dollar contract which USAID financed in whole or in part out of funds granted by USAID under this Agreement.

Article F: Miscellaneous.

Section F.1. Investment Promotion.

(a) Except as specifically set forth in the Grant or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves investment promotion in a foreign country.

(b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.

(c) The Grantee must ensure that its employees and subcontractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

Section F.2. Voluntary Family Planning. The Parties agree that all USAID funds provided under this Agreement shall be used in accordance with applicable United States policy and statutory requirements relating to voluntary family planning projects,

and that none of the USAID funds provided under this Agreement, or goods or services financed by such funds, may be used for:

- (a) the performance of abortion as a method of family planning or to motivate or coerce any person to practice abortions;
- (b) the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations; or
- (c) any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilizations as a method family planning.
- (d) USAID will issue implementation letters that more fully describe the requirements of this section.

Section F.3. Prohibition on Assistance to Drug Traffickers.

- (a) USAID reserves the right to terminate this Agreement or take other appropriate measures if the Grantee or a key individual of the Grantee is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140. (The "CFR" is the United States Code of Federal Regulations.)
- (b) USAID reserves the right to terminate assistance to, or take or take other appropriate measures with respect to, any participant approved by USAID who is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.
- (c) For any loan over \$1000 made under this Agreement, the Grantee shall insert a clause in the loan agreement stating that the loan is subject to immediate cancellation, acceleration, recall or refund by the Grantee if the borrower or a key individual of a borrower is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.
- (d) Upon notice by USAID of a determination under section (x) and at USAID's option, the Grantee agrees to immediately cancel, accelerate or recall the loan, including refund in full of the outstanding balance. USAID reserves the right to have the loan refund returned to USAID.
- (e) The Grantee agrees not to disburse, or sign documents committing the Grantee to disburse, funds to any sub-recipient designated by USAID ("Designated Sub-recipient") until advised by USAID that: (1) any United States Government review of the Designated Sub-recipient and its key individuals has been completed; (2) any related certifications have been obtained; and (3) the assistance to the Designated Sub-recipient has been approved. In addition, the Grantee shall insert the following clause, or its substance, in its agreement with the Designated Sub-recipient:

“The Grantee reserves the right to terminate this Agreement or take other appropriate measures if the [Sub-recipient] or a key individual of the [Sub-recipient] is found to have been convicted of a narcotic offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.”

Section F.4. Workers' Rights.

(a) Except as specifically set forth in the Grant or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves workers' rights in a foreign country.

(b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify the USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.

(c) The Grantee must ensure that all employees and subcontractors and sub-recipients providing employment-related services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.